

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-03 USIA-06

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 FRB-03 PA-01

PRS-01 /096 W

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R 011723Z AUG 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 3441

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E.O. 11652: N/A

TAGS: ENRG, UK

SUBJECT: NORTH SEA OIL LEGISLATION

REF: LONDON 11514

SUMMARY: AMBASSADOR CALLED ON ENERGY MINISTER BENN TODAY TO DISCUSS CONCERNS RE PETROLEUM AND SUBMARINE PIPELINES BILL ON BASIS NOTE DELIVERED TO FCO. BENN'S RESPONSE WAS FIRM BUT CONCILIATORY, ASSERTING PROPRIETY OF POWERS BILL PROVIDES BUT EMPHASIZING COMMON INTERESTS IN DEVELOPMENT OF UKG WITH AMERICAN COMPANIES AND USG AND INTENT OF UKG TO ADMINISTER LAW ACCORDINGLY. WE ALSO RAISED SUBJECT OF PROPOSED GUIDELINES TO INDUSTRY ON FULL AND FAIR OPPORTUNITY FOR UK SUPPLIERS OF OIL DEVELOPMENT EQUIPMENT IN ORDER TO INDICATE USG INTEREST IN MATTER. END SUMMARY

1. AMBASSADOR CALLED ON SECRETARY OF STATE FOR ENERGY ANTHONY WEDGWOOD BENN AUGUST 1 TO DISCUSS AMERICAN OIL COMPANIES AND USG CONCERNS RE PENDING PETROLEUM AND LIMITED OFFICIAL USE

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SUBMARINE PIPELINES BILL. PRESENT WITH BENN WERE

MINISTER OF STATE LORD BALOGH, PERMANENT SECRETARY SIR JACK RAMPTON, ASSISTANT SECRETARY MONGER AND OTHER OFFICIALS OF DOE. DISCUSSION BASED PRIMARILY ON NOTE WHICH WE SENT TO FCO SAME DATE. TEXT OF NOTE (POUCHED ACHILLES, EUR/NE) FOLLOWS LONDON 11051 REVISED TO REFLECT POINTS PARAS 2-5 STATE 171992.

2. IN COURSE OF DISCUSSION BENN SAID UKG AND INDUSTRY HAVE MUTUAL INTEREST IN SATISFACTORY CONDITIONS FOR DEVELOPMENT, LEGISLATION HAS BEEN SUBJECT OF INTENSE DISCUSSION WITH OIL COMPANIES (AS WELL AS WITH EMBASSY), DOE HAS SOUGHT TO MEET THEIR NEEDS WHEREVER POSSIBLE AND HAS ACCEPTED SEVERAL PROPOSED AMENDMENTS. HE SAID UKG'S ORIGINAL RULES WERE DEFICIENT ON BOTH EXPLORATION AND DEPLETION AND THIS IS WHY IT IS NECESSARY TO APPLY NEW LEGISLATION TO EXISTING LICENSES. HE ALSO POINTED OUT THAT EXERCISE OF EXPLORATION POWER HAS BEEN MADE SUBJECT TO ARBITRATION AND COMMERCIAL CRITERIA. AMBASSADOR POINTED OUT DISTINCTION LEGISLATION MAKES IN THIS RESPECT BETWEEN EXPLORATION AND DEVELOPMENT AND DEPLETION; WE WOULD WELCOME THE APPLICATION OF THESE QUALIFICATIONS TO DEVELOPMENT AND DEPLETION LIKE EXPLORATION.

3. AS TO LEGAL QUESTION REGARDING LEGISLATION, BENN SAID ALL WOULD HINGE ON THE WAY IN WHICH THE LAW IS IMPLEMENTED. GOVERNMENTS HAVE TO DO MANY THINGS IN THE AREA OF ENVIRONMENTAL CONTROL THAT BEAR ON ECONOMIC ENTERPRISES AND THEIR PROFITABILITY (E.G., IN THE US, AUTOMOBILE SAFETY STANDARDS) AND IT HAS BEEN ACCEPTED THAT GOVERNMENTS MUST HAVE SOME FRAMEWORK FOR ACTION IN THESE MATTERS, INCLUDING DEPLETION. AT THE SAME TIME UKG RECOGNIZED NEED FOR ASSURANCE ON ITS DEPLETION POLICY AND THIS HAD BEEN REASON FOR HIS PREDECESSOR'S STATEMENT OF DECEMBER 6 WHICH WE HAD MENTIONED IN OUR

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 3442

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NOTE. HE CONFIRMED THIS STATEMENT AS REMAINING VALID.

AMBASSADOR AGREES THAT THE LEGAL QUESTION TURNS LARGELY ON

THE WAY THE LAW IS IMPLEMENTED.

4. BENN SAID IN CONCLUSION THAT, GIVEN THE NATURE OF THE PROBLEM, EVERYTHING HINGES ON A GOOD RELATIONSHIP AND THE MAINTENANCE OF CONFIDENCE BETWEEN THE GOVERNMENT AND THE INDUSTRY. HE WOULD ENDORSE WHAT WE HAD SAID IN THE LAST SENTENCE OF THE NOTE TO THE EFFECT THAT THE LAW SHOULD BE ADMINISTERED TO TAKE ACCOUNT OF THE CONCERNS OF LICENSEES AND THE PACE OF DEVELOPMENT AS WELL AS OUR EARLIER REFERENCE TO THE COMMON INTEREST OF THE US AND THE UK IN THE DEVELOPMENT OF NEW SOURCES OF ENERGY.

5. BALOGH PROTESTED WORD "FURTHER" WHERE WE HAD REPORTED COMPANIES ANTICIPATION THAT BILL WOULD FURTHER REDUCE SPEED OF DEVELOPMENT ON GROUNDS THAT DEVELOPMENT HAS LIMITED OFFICIAL USE

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GONE FORWARD RAPIDLY TO DATE AND SPEED HAS NOT BEEN REDUCED. WE SAID THIS MIGHT BE DEBATABLE BUT WE BELIEVE THERE HAS BEEN SOME DELAY AS RESULT OF LEGISLATIVE PROGRAM.

6. TOWARDS CLOSE OF MEETING WE INQUIRED REGARDING GUIDELINES ON INDUSTRY PROCUREMENT WHICH WE HAD HEARD

DOE PROPOSES TO ISSUE. USG HAS CONTINUING INTEREST IN POLICY AND PRACTICE ON THIS ISSUE. WE HAVE NO COMPLAINT WITH FULL AND FAIR OPPORTUNITY IF MATTER DOES NOT GO

BEYOND THIS, BUT WE WOULD BE DISTURBED IF THERE IS AN
ELEMENT OF ARM-TWISTING. BENN DESCRIBED GOVERNMENT'S
INTENT AS NORMAL INTENT TO ENCOURAGE MAXIMUM USE OF UK
PROCUREMENT SOURCES. RAMPTON INTERJECTED THAT GUIDELINES
IMPLY NO CHANGE BUT ARE ATTEMPT TO CODIFY EXISTING
PRACTICE. WE SAID WE THINK PRACTICE TO DATE HAS BEEN

GENERALLY REASONABLE; OUR CONCERN IS THAT IT SHOULD STAY
SO AND THAT COERCION THROUGH ANY OF THE MANY ASPECTS OF
THE GOVERNMENT'S RELATIONSHIPS WITH THE INDUSTRY SHOULD
NOT BE IMPLIED.

RICHARDSON

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